

CITY OF ALGONA
King County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. The City Should Maintain Positive Cash Balances In All Funds

Our audit disclosed deficit cash balances in the city's current expense and grant funds at year end.

A deficit cash balance in a fund violates RCW 43.09.210, which states in part:

Separate accounts shall be kept for each department, public improvement, undertaking, institution, or public service industry under the jurisdiction of every taxing body. All services rendered by, or property transferred from, one department, public improvement, undertaking, institution, or public service industry to another, shall be paid for its true and full value . . . and no department, public improvement, undertaking, institution, or public service industry shall benefit in any manner whatever by an appropriation or fund made for the support of another.

Whenever one fund runs a negative cash balance, the other funds must cover its expenditures; this has the effect of allowing the deficit fund to spend the resources of solvent funds and gives rise to an unauthorized loan.

According to the city, the Current Expense Fund is in the negative because of declines in expected revenues. The city points out that the Criminal Justice Fund, which could be included in the Current Expense Fund, had a positive cash balance exceeding the Current Expense Fund deficit. The city's grant fund experienced a deficit because of the time lag between cash disbursement and grant reimbursement.

We recommend the city establish a minimum number of funds and carefully monitor the cash flows of those funds, formally authorizing loans or working cash balances when necessary to avoid deficit cash balances.